DOCUMENT RESUME

ED 202 325 HE 013 833

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TITLE State Policies and Programmatic Implementation.
INSTITUTION Education Commission of the States, Denver, Colo. Inservice Education Program.; State Higher Education Executive Officers Association.
SPONS AGENCY Kellogg Foundation, Battle Creek, Mich.
REPORT NO IEP-904-2
PUB DATE Nov 78
NOTE 19p.; Paper presented at a Seminar for State Leaders in Postsecondary Education (Orlando, FL, November 1978).

EDRS PRICE MF01/PC01 Plus Postage.
DESCRIPTORS *Accountability; Educational Finance; Financial Support; *Higher Education; Middle Class Students; Need Analysis (Student Financial Aid); Private Colleges; *Private Education; *Public Education; State Aid; State Colleges; *Statewide Planning; *Student Financial Aid; Tuition
IDENTIFIERS *Seminars for State Leaders Postsec Ed (ECS SHEEO)

ABSTRACT

The relationships between the public and nonpublic sectors of higher education are considered with respect to planning issues, financing issues, and accountability. Among the planning concerns are the following: to what extent should the nonpublic sector be involved in the statewide review of new and existing programs; how can resources be shared among public and independent sectors; how will the independent sector be involved in policies relating to the provision of learning opportunities for adults; and how and to what extent should the state provide financial support for the nonpublic sector. There is extensive support for need-based student aid as the primary vehicle for state support of independent higher education. Relevant questions pertain to the maximum award level, how need should be determined, and whether non-need based student aid (tuition offsets) should be available to private colleges. It is suggested that to provide relief to middle income students, it would be necessary to adjust need analysis schedules to require smaller family contributions in the middle and upper middle income ranges. It is suggested that the importance of the private sector is demonstrated by state direct, general purpose support to independent institutions, contracts for general support or for support related to enrollment of low income students, and categorical institutional grants. It is recommended that the composition of an aid program be based on a clear understanding of state goals with respect to postsecondary education, and the role nonpublic institutions play in achieving then. Other policy questions include who will monitor the accountability of private colleges and what it will involve. (SW)

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ED202325

Inservice Education Program (IEP)

Paper Presented at a Seminar for State Leaders in Postsecondary Education

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STATE POLICIES AND PROGRAMMATIC IMPLEMENTATION

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Orlando, Florida
November 1978

HE013833

IEP Reprint No. 904-2

Education Commission of the States

Inservice Education Program (IEP)
Education Commission of the States
1860 Lincoln Street, Suite 300
Denver, Colorado 80295

SHEEO

The IEP Program has been supported primarily by the W. K. Kellogg Foundation with additional funds from the Education Commission of the States, the Frost Foundation and the State Higher Education Executive Officers

"State Policies and Programmatic Implementation"

by

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States have been active in developing policies with respect to the nonpublic sector of postsecondary education since about 1960. Those policies should not be perceived as static. The social, demographic, economic, and political environment in which they have been developed is anything but static. Thus, this conference, which seeks to reconsider the relationships of the public and nonpublic sectors, is particularly appropriate. It presumes new conditions and the need to re-appraise policies in light of those conditions.

Your conference theme includes consideration of all nonpublic higher education. Used this way nonpublic includes all institutions of higher education that are not primarily funded by government appropriations or controlled by publicly appointed boards. The nonpublic sector embraces both private-independent and "proprietary" profit making institutions. I'll try to use the two terms independent or proprietary in situations that refer specifically to one or the other, and use nonpublic where both are concerned.

State Interest and Nonpublic Higher Education

All states but one support independent institutions or

students attending them. This is ample evidence of state interest in the nonpublic sector. In some states, such support takes several forms. The bedrock of state policy must be a clear understanding of the state goals for postsecondary education, and the contribution that nonpublic institutions--independent and proprietary--make towards the achievement of those goals. Higher education policies are needed that consider the appropriate roles of public, independent, and proprietary institutions.

The two key questions that should guide the development of such policies, as they affect nonpublic higher education are:

- What are the general policy objectives for postsecondary education within the state?
- What is the role of nonpublic colleges and universities, and how do they contribute to the accomplishment of those objectives?

From that perspective there are really no policies toward the nonpublic sector, but only state policies that affect the nonpublic sector. The well being or the survival of individual institutions, or even an entire segment of institutions, is not the primary focus of policy development, but only the secondary result of policies primarily intended to achieve the established goals for postsecondary education--the provision of educational opportunity of high quality; assuring equity, diversity, and efficiency.

Assessing the contributions made by the nonpublic sector to the achievement of those goals requires intimate knowledge of the size, nature, role, complexity, and health of the nonpublic sector, as well as recognition that its contribution changes over time. For

example, in times of rapid enrollment growth the nonpublic sector may make a contribution to public goals of absorbing additional students with minimal state support, a contribution that may be less significant in times of declining enrollment. With the foregoing points in mind, I'd like to talk about three set of policy issues: planning issues, financing issues, and accountability.

Statewide Planning and Coordination, and the Involvement of the Nonpublic Sector

The independent sector, and to some extent, the proprietary sector, have been effective in securing beneficial policies through legislative process. Increasing competition in higher education for students and resources, and increasing demands for accountability from the public and from political leaders, will surely mean increases in the bureaucratic structures responsible for planning, coordinating, and regulating of postsecondary education. This means that the nonpublic sectors will need to develop the same capacity for working with such structures as for working with legislatures and governors.

This depends, of course, on the character, responsibility, and authority of the state structure, but it also depends upon the way in which the nonpublic sectors are organized. Let me make several points about that organization:

1. Associations representing nonpublic institutions (such as ICUF and FAPS) must be willing to invest organization and energy in developing relationships with state

structures.

2. Statewide agencies and institutional associations must recognize the importance of both formal and informal working relationships.
3. Care should be taken to provide appropriate representation (through membership, observers, or staff liaison) in the work of coordination and planning, whether that takes place at the level of the board, its committees, or its staff.
4. This means that the nonpublic sectors must be well organized not only to provide such representation, but also to provide the extensive data collection and position articulation that supports it.

Jay Chronister of the University of Virginia has recently surveyed state postsecondary agencies and associations of independent institutions about their planning relationships. The survey returns emphasize the importance of the quality of those relationships. This places responsibility on both state agencies and associations to work seriously to develop positive and productive relationships.

In Maryland, where state policies provide effective support to the independent institutions, there is an extensive network of relationships between the State Board for Higher Education and the Independent College and University Association--through formal membership on the "segmental advisory committee" to the Board, as well as committees and task forces at every level of policy develop-

ment and decision making. These formal and informal arrangements appear to have engendered cordial working relationships between the State Board and the Association. I am convinced that, in the future, such relationships will be an indispensible prerequisite to effectiveness at the legislative level. I emphasize these planning relationships also because I believe that many of the central issues of the next few years for the nonpublic sectors will be essentially planning issues. Let me illustrate this point by mentioning four of these issues:

First, to what extent should the nonpublic sector be involved in the statewide review of new and existing programs? This is a complex issue, involving the purpose of such reviews, the nature of existing arrangements for program review, the authority of the agency that carries out the review, and the extent to which the nonpublic sector enjoys the support of the state. If it is the case that program review seeks to insure the quality of the state's resources for higher education, and the efficiency with which they are utilized, then you should consider the involvement of the nonpublic sector in that activity. If the nonpublic sector is seen as contributing to the achievement of state goals for postsecondary education, then you should recognize the resources of the nonpublic when considering program development in the public sector. By the same reasoning, it seems logical to consider the resources of the public sector when developing programs in nonpublic institutions.

I recognize that the fiscal relationship between state govern-

ment and nonpublic institutions--the extent to which state appropriations support these institutions or their students--is an important factor in decisions about the role of the nonpublic sector in program review.

A second issue is, how can resources be shared among public and independent sectors? Several states (including Connecticut, Pennsylvania, and Virginia, as well as Florida) provide for contracts between the state and independent institutions to develop services that meet public needs by utilizing the facilities of nonpublic institutions.

In spite of those arrangements, genuine resource sharing between public agencies or institutions and nonpublic institutions can hardly be called extensive. If state policies facilitate such practice, both legislation and administrative action should promote it. The agency responsible for developing and administering these contractual arrangements can bring this about by imaginatively seeking opportunities for efficient use of state resources through means of such contracts.

Issue three, how will the independent sector be involved in policies relating to the provision of learning opportunities for adults? Because of the decline in the size of traditional college-aged population, increased attention has been placed on "nontraditional" clientele and "nontraditional" modes of delivery of instructional services. If the pattern of subsidies for these activities in public institutions is changed, then that will affect the way in which the resources of nonpublic institutions

are used to render these services. Few new policies have been developed that effectively settle the questions of financing, allocation of function, allocation of "territory," and control of quality, in the provision of learning opportunities for adults. The development of such policies needs to involve the nonpublic sector and take its resources into consideration.

Issue four, how should policies relating to role and scope of institutions accomodate the nonpublic sector? Historically, most of this type of planning--master planning--has concerned public institutions. If state policy considers a "system" of postsecondary opportunity, some of which is provided by nonpublic institutions--then the incorporation of the independent sector in role and scope planning should follow. This is not a bland and inconsequential exercise. Role and scope planning will grapple with some of the toughest issues of the steady state, because, if done correctly, it will involve serious institutional redefinition of mission. Obviously, the link between such planning and institutional response will be stronger and more direct in the public sector than the nonpublic. But the policy recommendations made by resolute and imaginative postsecondary planning agencies to nonpublic institutions, and the inducements provided to follow those recommendations, may be one of the most effective future devices to improve resource utilization in the total "system" of postsecondary education. Of course, by far the most important planning "issue" is the question of whether, how and to what extent the state provides financial support for the nonpublic

sector.

What is the Appropriate Role of the State in the Financing of Nonpublic Institution?

States employ several methods to support nonpublic institutions or the students attending them. The most current surveys by ECS and the National Association of State Scholarship and Grant Programs indicate that every state with an independent sector operates, at least, a student aid program for students attending independent institutions. (In 22 states, not including Florida, these grants can be used to attend proprietary institutions.) Nine states have programs of general purpose direct institutional aid to independent institutions and in three more states institutional aid follows financial aid recipients. Other programs of institutional aid are categorical: for medical education, programs for disadvantaged students, contracts for specific services, and the support of specific institutions.

There is extensive support for need-based student aid as the primary vehicle for state support of independent higher education. The ECS Task Force on State Policy and Independent Higher Education recommended that "states give first consideration to the development of need-based student grant programs, funded at levels adequate to provide students with real choice among institutions." Breneman and Finn, in their study for the Brookings Institution, also emphasized adequate student aid grants through the coordination of state and federal programs, with the latter encouraging "increased

outlays devoted to student aid. . .(S)tudent choice among colleges will have been enhanced. The higher education marketplace will have become a more reliable guide to resource allocation, and those private colleges that compete successfully for students will have received public aid in a manner that minimizes the threat to their autonomy" (p. 432).

Passage of the Federal Middle Income Student Assistance Act is an appropriate occasion for state re-appraisal of student aid policies. Since middle income students can now be helped by BEOG, it can be regarded as providing subsistence for a significant portion of students. State programs can be directed at variable tuition costs. A maximum BEOG will provide an eligible student with "typical" room and board expenses at a Florida college or university. The $1,200 maximum Student Assistance Grant (1977-78) will then cover about half of the tuition at the typical independent institution, or about one third of that at a higher-priced independent institution. Family contribution, institutional aid, and SEOG, loans and other self help (including work-study) can make up the balance. State decision makers need to determine what portion of the cost of tuition in the nonpublic sector the need-based student aid program should cover. Thus, the new federal legislation should help state level decision makers determine appropriate levels for state student aid programs, because the expanded BEOG provides a more effective foundation for comprehensive student aid "packages"; and liberalized SEOG, CWS, and GSL provide greater confidence that other aid, coupled with

family support and self help, can complete a package whose foundation is BEOG and state student aid.

State policy makers may wish to consider the possibility that the increase in federal appropriations for student aid, and the liberalization of their eligibility rules, may make it possible for the federal-state-institutional partnership to assure, for the first time, that every eligible student has adequate financial aid to attend the institution - public or nonpublic - that best meets his or her needs.

Consideration of the procedures required to achieve this would involve:

- Calculation of the implications of new federal student aid levels, given the income characteristics of Florida students, and the educational charges of its institutions.
- Determination of the unmet need that will remain after federal aid is awarded.
- Consideration of the extent to which the state program should meet that unmet need, and the fiscal impact of doing so:

This means that the central policy questions are: What should the maximum award level be, and, if all "needy" students cannot be aided, how should awards be rationed? Presently, Florida's average awards are relatively high ($1063) and they appear to go to those students with the largest need. If award levels were raised to about the average tuition at nonpublic institutions ($2,200 to $2,400) and if the number of students who could be aided were in-

creased, then you would be:

1. Making more efficient use of the foundation provided by federal student aid programs.
2. Providing an improved higher education "market" by reducing the distance between public and nonpublic tuitions for many students.
3. Encouraging more efficient use of the resources of the nonpublic sector, and,
4. Assuring maximum choice, among institutions, for students on all income levels.

The maximum award level is a critical state policy decision; states should consider pegging their level to some portion of tuition costs in independent institutions. By doing so, the state is making a decision about the value of student choice.

There are several other issues that involve development of effective policies of support to the nonpublic institutions, or to students attending them.

The first of these issues, is, how should need be determined? Most states follow CSS or ACT guidelines in determining need. Inadequate attention has been given to the fact that it is these schedules--because of the heavy expectations they make with respect to contributions from middle class families--that are largely responsible for the so-called middle income squeeze. David Breneman writing, in the October issue of Change magazine, said that "these financial need formulas, rather than being 'scientific' and beyond criticism are fraught with necessarily arbitrary and debatable

judgments." It is hardly necessary to abandon the concept of need-based aid in order to provide relief to middle income families with children in college. It would simply be necessary to adjust need analysis schedules to require smaller family contributions in the middle and upper middle income ranges and possible to allow awards slightly in excess of total demonstrated need. Such programs would be as effective as tax credits and much more efficient, since there would be no additional cost to the state at lower and higher income levels. I recognize, however, that because state programs are tied in the national system, and interrelate with need determination in the federal programs, this cannot be a unilateral policy determination.

If Student Assistance Grants are aimed at widening student choice, the eligibility of students attending proprietary institutions to receive these grants should be considered. Because of the difficulties that beset federal programs where institutional eligibility includes proprietary institutions, and such policy should be developed with emphasis upon assuring the quality and responsibility of eligible institutions. The Florida Association of Private Schools would undoubtedly wish to assist in developing such rules.

Should non-need based student aid (sometimes called tuition offsets) be available to aid independent higher education? Several states have now enacted programs of student aid that provide grants to students attending independent institutions irrespective of family means. Questions that should be asked before such a policy

is adopted include:

1. What state objectives are met by such a program?
2. Would these grants have the effect of changing the distribution of students between public and nonpublic institutions, and among low and high cost institutions? How high would subsidies need to be in order to have these effects?
3. Would tuition offsets permit independent institutions to concentrate their recruitment efforts on students from more affluent families, and would this be consistent with state policies with respect to access?
4. Would these grants be perceived as a way of indirectly providing cost of education subsidies to independent institutions, of a sort provided to public institutions, and if that is so, would it be preferable to provide such subsidies directly to institutions?
5. And most importantly, if such subsidies are intended to improve student choice, and students are aided who would have attended their institution in any case, is the cost producing important benefits to the state?

Direct Support to Independent Institutions

Seven states provide direct, general purpose support to independent institutions. Five more states use contracts as a vehicle for general institutional support, or for support related to enrollment of low income students. A number of other states provide categorical

institutional grants. Such programs demonstrate the importance to the state of the survival and quality of the independent sector. These programs may also signify an emphasis upon centralized higher education planning instead of what I would call a "fair" market approach. Institutional aid programs must be carefully based upon an understanding of the way in which the independent sector contributes to the achievement of state purposes for higher education, upon an intimate understanding of the nature of the independent sector, and upon its general and fiscal well being.

A couple of concluding words about programs of support. The composition of an aid program should be based squarely upon a clear understanding of state goals with respect to postsecondary education, and the role nonpublic institutions play in achieving them. Because these two elements differ from state to state, there is clearly no prescription that could guide state policy makers in developing an adequate mix of programs.

Having said this, I also want to emphasize the primacy of need based student aid. Student aid enhances opportunity by widening student choice. Adequately financed student aid programs, with high enough award ceilings are clearly effective--for example, in California, New York, and Illinois, both in providing access to nonpublic institutions for students from lower and middle income families, and, as a consequence, contributing to institutional health.

John Folger calculated that if you raised your award ceiling

to $1,800, and if this resulted in about twenty-five percent of your independent sector students receiving $1,500 awards, the cost, over and above the Student Assistance Grant dollars now going to independent institutions (this assumes the new awards would be limited to tuition costs) might be about eighteen million dollars.

I believe this would represent about four percent of your total expenditures for higher education.

It would purchase:

1. Fairer competition between public and independent institutions.
2. The chance for more students to choose the institution that best suits their needs and interests.
3. Efficient use of the resources of the independent sector at a cost, on the part of the state, that is quite small in proportion to its total higher education expenditures.

Accountability

The recognition of the public function served by the nonpublic sector of higher education, as well as increasing governmental support, inevitably means that nonpublic institutions will increasingly be accountable to state agencies, for their performance and for their use of tax funds.

Earl Cheit said recently that "it cannot be assumed that dual standards of accountability will survive indefinitely with public funds to the private sector."

The policy questions involved are:

1. Who will monitor the accountability of the independent sector? ECS recommends, quite appropriately, that the responsibilities be vested in the state agency for postsecondary education.
2. Should accountability to the state be broader than accountability for responsible use of state funds? The argument of public functions made by the independent institutions themselves may also carry the conclusion that the institutions need to be accountable, in a general way at least, for all their resources used in serving the public interest. This suggests the possibility of independent sector involvement in program review and other procedures for assessing responsible and responsive service.

There is little unanimity with respect to the meaning of accountability for the nonpublic sector. But it is likely that working out that meaning, in a way that is appropriate and sensitive to the interests both of the state and of the institutions, will be a challenging area of policy development in coming years.

Conclusion

The coming decade is sure to be turbulent and difficult for higher education. Few significant issues will be resolved without contention. It will be hard to keep the public interest foremost, as institutions and sectors struggle for position and resources.

But the contribution of the nonpublic sector to the state goals for postsecondary education are such that decision makers must consider both the interest and voice of the independent and proprietary institutions as state policy is developed with respect to the foregoing issues. Those sectors must be adequately organized and prepared to engage in the development of state policies in a cooperative and constructive spirit, a spirit which, widely enough shared, will ameliorate some of the negative possibilities in the future environment of postsecondary education.

That cooperative spirit, however, will of itself not be enough. It is also necessary--critically important--that the policies and programs that are developed in response to these issues be initiated in the context of a plan or a comprehensive approach. Such a plan should consider the public educational needs and objectives, and how the resources--of both public and independent institutions--can be most effectively and efficiently utilized to meet these needs and achieve these objectives.

Thank you.